

Message Text

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ACTION EUR-12

INFO OCT-01 EA-12 ISO-00 CIAE-00 DODE-00 INR-10
NSAE-00 PA-02 USIA-15 SP-02 /054 W
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R 141917Z MAR 78
FM AMEMBASSY BONN
TO SECSTATE WASHDC 6758
DEPARTMENT TREASURY
INFO AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY TOKYO

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ALSO OECD AND EEC

E.O. 11652:N/A
TAG: ECON, GW
SUB: PRESS CONFERENCE ON US/FRG MONETARY MEASURES:

1. IN A PRESS CONFERENCE ON MARCH 13 FINANCE MINISTER
MATTHOEFER AND BUNDESBANK PRESIDENT EMMINGER CONVEYED
THE JOINT US/FRG STATEMENT ON MONETARY MEASURES AND
REPLIED TO QUESTIONS OF ASSEMBLED JOURNALISTS. IN
REPLY TO A QUESTION ON U.S. BORROWING FUNDS ABROAD,
FINANCE MINISTER MATTHOEFER SAID THAT THE FRG NEVER
REQUESTED THAT THE US BORROW LONG-TERM FUNDS ABROAD
TO COUNTERACT THE DOLLAR'S DECLINE. WITH REGARD TO US
LOANS DENOMINATED IN DEUTSCHEMARKS MATTHOEFER ADDED
THAT SUCH LOANS "WERE NEVER ANTICIPATED AND WERE NOT
ASKED FOR FROM OUR SIDE". HE CONTINUED THAT "THE
QUESTION OF WHETHER GOLD SHOULD BE SOLD OR PURCHASED IS
ALWAYS UNDER CONSIDERATION. HOWEVER, UP TO THE
PRESENT THERE HAS BEEN NO INSTANCE WHEN GOLD SALES
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WOULD HAVE BEEN CONSIDERED APPROPRIATE, BUT GOLD
SALES ARE A DEVICE AMONG OTHERS WHICH IS BEING
HELD IN RESERVE".

2. BUNDESBANK PRESIDENT EMMINGER AGREED WITH A
QUESTIONER THAT DOLLAR PURCHASES BY THE BUNDESBANK
WOULD INCREASE BANK LIQUIDITY IN THE FRG BUT

WAS CONFIDENT THAT THE BULK OF ANY LIQUIDITY INCREASE COULD BE NEUTRALIZED. HE POINTED OUT THAT CURRENTLY BANK LIQUIDITY IS SEVERAL BILLION LOWER THAN IN DECEMBER DUE TO OPEN MARKET POLICY MEASURES OF THE BUNDESBANK, INCREASED BORROWINGS BY PUBLIC AUTHORITIES AND OTHER MONETARY MEASURES. EMMINGER ADDED THAT IN FEBRUARY CENTRAL BANK MONEY WAS 11 PERCENT HIGHER THAN A YEAR AGO. HE WAS CONFIDENT, HOWEVER, THAT THIS RATE OF GROWTH WOULD DECLINE IF THE RECENT INFLOWS OF SPECULATIVE FUNDS WERE NEUTRALIZED.

3. EMMINGER POINTED OUT THAT THERE WERE NO DIFFERENCES OF OPINION BETWEEN THE GERMANS AND THE FEDERAL RESERVE IN DETERMINING WHETHER EXCHANGE MARKET DEVELOPMENTS WERE "CLEARLY DISORDERLY". EMMINGER WHEN ASKED REFRAINED FROM QUOTING A DEFINITE AMOUNT ON THE USE OF THE SWAP AGREEMENT BY THE U.S. HE SAID, HOWEVER, THAT THE FEDERAL RESERVE HAS USED ABOUT THREE QUARTERS OF ITS LINE AND THAT, IN ADDITION, THERE ARE UNUTILIZED FUNDS IN THE SWAP LINE OF THE TREASURY.

4. MATTHOEFER WAS ASKED WHETHER THE PASSAGE ABOUT LST QUARTER ECONOMIC RESULTS MEANS THAT IN THE SPRING OF THIS YEAR THE FEDERAL GOVERNMENT SHOULD BE ABLE TO DETERMINE WHETHER THE FRG'S 3.5 PERCENT GROWTH

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GOAL FOR 1978 WOULD BE ACHIEVED, AND, IF THIS CANNOT BE DETERMINED, WHETHER THE FRG MUST TAKE ADDITIONAL STIMULATIVE MEASURES. HE REPLIED THAT HE WOULD NOT INTERPRET THE LANGUAGE IN THAT WAY. IN THIS REGARD, HE COMPLAINED ABOUT THE INSUFFICIENCY OF FRG STATISTICS. HE SAID, WHILE THE US HAS DEVELOPED A COMPREHENSIVE

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SYSTEM OF LEADING ECONOMIC INDICATORS, THE FRG REQUIRES TOO LONG A TIME TO ARRIVE AT CONCLUSIONS ON ECONOMIC TRENDS OR DEVELOPMENTS. THUS, "THE FEDERAL GOVERNMENT CANNOT YET MAKE A STATEMENT ON HOW THIS GOAL WHICH REQUIRES AN ANNUALIZED RATE OF INCREASE OF 4, 5 OR 6 PERCENT IN THE LAST QUARTER WILL DEVELOP IN REALITY". HE ADDED: "THE FEDERAL GOVERNMENT DOES NOT INTEND TO TAKE ANY NEW ECONOMIC MEASURES, AND I ASK THAT YOU DO NOT INTERPRET THIS STATEMENT IN THAT WAY".

5. WITH REGARD TO THE PASSAGE "ADDITIONAL MEASURES TO OVERCOME FUNDAMENTAL ECONOMIC PROBLEMS" MATTHOEFER POINTED OUT THAT THESE WOULD, AMONG OTHER THINGS, DEAL WITH STRUCTURAL BALANCE OF PAYMENTS DEFICITS, STRUCTURAL UNEMPLOYMENT IN MANY COUNTRIES AND INFLATIONARY PRESSURES WHICH IMPEDE EFFORTS TO ACHIEVE FULL EMPLOYMENT.

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6. IN GENERAL MATTHOEFER DESCRIBED THE CONSULTATIONS WITH THE US AS "VERY FRIENDLY AND INFORMATIVE DISCUSSIONS BETWEEN PEOPLE WHO KNOW WELL AND RECOGNIZE CLEARLY THE PROBLEMS OF BOTH SIDES". "WITH THE AMERICANS WE ARE IN VERY CLOSE AND FRIENDLY CONTACT. I WISH TO EMPHASIZE THIS PARTICULARLY".

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